

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

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In Re:) Case No. 19-30088
PG&E CORPORATION AND PACIFIC) Chapter 11
GAS AND ELECTRIC COMPANY)
Debtors.) San Francisco, California
Monday, March 16, 2020
10:00 AM
)
DEBTORS' SECOND AMENDED
MOTION FOR ENTRY OF ORDERS
(I) APPROVING TERMS OF, AND
DEBTORS' ENTRY INTO AND
PERFORMANCE UNDER, EQUITY
BACKSTOP COMMITMENT LETTERS,
(II) APPROVING TERMS OF, AND
DEBTORS' ENTRY INTO AND
PERFORMANCE UNDER, DEBT
FINANCING COMMITMENT LETTERS,
AND (III) AUTHORIZING
INCURRENCE, PAYMENT, AND
ALLOWANCE OF RELATED FEES
AND/OR PREMIUMS, INDEMNITIES,
COSTS AND EXPENSES AS
ADMINISTRATIVE EXPENSE CLAIMS
(RELATED DOCS. 4446, 5267)
[6013]

TRANSCRIPT OF PROCEEDINGS
BEFORE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES (TELEPHONIC):

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PG&E Corp. and Pacific Gas and Electric Co.

1 SAN FRANCISCO, CALIFORNIA, MARCH 16, 2020, 10:01 AM

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3 (Call to order of the Court.)

4 THE CLERK: Court is now in session, the Honorable
5 Dennis Montali presiding. Matter of PG&E Corporation.

6 THE COURT: Good morning and good afternoon, everyone
7 on the phone, and thank you all for being flexible and dealing
8 with a very fluid situation for everyone in the whole world, if
9 not the country, in this case.

10 Mr. Karotkin, are you on the call?

11 Mr. Karotkin?

12 MR. KAROTKIN: If I can --

13 THE COURT: Are you there?

14 MR. KAROTKIN: I'm on the phone. Can you hear me?

15 THE COURT: Okay, yes. Mr. Karotkin.

16 MR. KAROTKIN: Can you hear me?

17 THE COURT: Yes, sir, we can hear you.

18 MR. KAROTKIN: Yes. I'm sorry. Okay, good. If I
19 could just impose on Your Honor for a fifteen-minute recess?
20 We would appreciate that.

21 THE COURT: Fifteen-minute recess? That's all you
22 need?

23 MR. KAROTKIN: Yes, sir.

24 THE COURT: Okay, for --

25 MR. KAROTKIN: That's all we need.

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1 THE COURT: All right, I'm going to accommodate that
2 request. For those of you who're on the call, I know that
3 there's some confusion and, obviously, overload at CourtCall.
4 And unless Mr. Karotkin has some other information, I'm going
5 to suggest that we'll let CourtCall just put this call on hold,
6 or however it chooses to do it. And I'll take a fifteen-minute
7 recess and will not be participating, will not be on the call
8 specifically from here. And I'll come back in about fifteen
9 minutes. So stand loose and --

10 MR. KAROTKIN: Okay, thank you, sir.

11 THE COURT: -- I'll hear from you then. Thank you.

12 MR. KAROTKIN: Thank you, Your Honor.

13 (Recess from 10:03 a.m., until 10:17 a.m.)

14 THE CLERK: Court is back in session.

15 THE COURT: All right, Mr. Karotkin, are you still
16 with us?

17 MR. KAROTKIN: Yes, sir. Can you hear me?

18 THE COURT: Yes. Are you ready to go?

19 MR. KAROTKIN: Okay. Yes, we are, sir. Mr. Zumbro --
20 is he having -- he here today?

21 THE COURT: Okay, Mr. --

22 MR. ZUMBRO: Yes, thank you, Your Honor. Paul Zumbro
23 from Cravath, Swaine & Moore, on behalf of the debtors.

24 (Indiscernible) operating out (indiscernible) Your
25 Honor alluded to. We recognize that the court system

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1 (indiscernible) communities in California and New York are
2 under attack. It is a stress. So we (indiscernible) appearing
3 telephonically (indiscernible) won't be that bad.

4 Just wanted to let the Court know that we have
5 (indiscernible) issues with the governor's office. The
6 debtors' understanding is that the governor's objection to the
7 exit-financing motion that we're here today for has been
8 (indiscernible) the motion is uncontested at this time.

9 THE COURT: Mr. --

10 MR. ZUMBRO: Objection --

11 THE COURT: Mr. Zumbro, I got to --

12 MR. KAROTKIN: -- (indiscernible) --

13 THE COURT: Mr. Zumbro, I need to interrupt you.
14 You're a little hard to follow. I wonder if you're a little
15 close to the microphone.

16 And I don't know if anyone --

17 MR. ZUMBRO: Sure. Sorry about that. Is that better?

18 THE COURT: That's a little better. So you said
19 the --

20 MR. ZUMBRO: Okay.

21 THE COURT: -- you --

22 MR. ZUMBRO: I was just trying to -- I was just trying
23 to let the Court know that the governor's objection to the
24 exit-financing motion, we understand, has been resolved. The
25 only other objection that has previously been lodged is TURN,

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1 and that motion is mooted by the (indiscernible) withdraw
2 (indiscernible) competing claims. Our understanding is that
3 the motion is now on a fairly uncontested basis.

4 I believe Mr. Hinker (indiscernible) Your Honor
5 (indiscernible) involved. Your Honor might confirm
6 (indiscernible) with respect to the (indiscernible) document.

7 THE COURT: Well, what I think -- what I'd like you to
8 do, Mr. Zumbro, is listen and let me explain. I worked my way
9 through this very, very complicated financing, and Mr. Ziman's
10 declaration was very helpful, but it's such a moving target
11 that it would be helpful for me and perhaps many people on the
12 call if we could just get a snapshot of where things are and
13 how it will play out; not the prior iterations, but let's use
14 one of my metaphors. Mr. Ziman and the declaration sound like
15 I was reading The New York Times. I'd like to get the U.S.
16 News & -- U.S. Report, you know, the daily summary, instead.
17 And just give me a snapshot of the pieces that come together
18 and what'll happen, and then I'll call for the principal
19 lawyers on the call if they want to be heard on behalf of their
20 clients.

21 MR. ZUMBRO: Sure, Your Honor. I'm happy to do that,
22 Your Honor. Let me just walk through. I believe
23 (indiscernible) complicated document, but the debtors boil it
24 down to (indiscernible). There's two different
25 (indiscernible): an equity backstop letter, and that is the

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1 letter whereby the parties to that, which we refer to as the
2 "backstop parties", have agreed to provide fresh capital to
3 fund with up to twelve billion dollars. Those are the equity
4 finance. Those have been guaranteed (indiscernible) they're
5 going through that amount of equity -- fresh equity capital
6 (indiscernible) could fund the debtors' plan.

7 I should note -- just to make sure (indiscernible)
8 page -- I should note that the current capital plan -- capital-
9 structure plan that the debtors are proposing is what we refer
10 to in the motion as the OII capital structure. That's the
11 capital structure that is detailed in the presentation
12 customarily presented to the CPUC and (indiscernible) employees
13 (indiscernible). That capital structure contemplates a nine-
14 billion-dollar new equity raise. But the commitment
15 (indiscernible) is, if we had (indiscernible) as the CPUC
16 process (indiscernible), (indiscernible) percent against
17 contingent (indiscernible) may change prior to emergence.

18 But the (indiscernible) is that the equity backstop
19 letters allow the debtor to go into the market and raise equity
20 at more favorable prices if it's available. This is a backstop
21 whereby the equity backstop parties have committed to buy the
22 equity at a specified price (indiscernible) of execution.
23 That's the equity side.

24 I'll pause there; if Your Honor has any questions
25 (indiscernible).

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1 THE COURT: No, that -- just stick with the summary,
2 what you're doing. That's fine. I don't want more detail at
3 this point. So the next is going to be the debt --

4 MR. ZUMBRO: Sure.

5 THE COURT: -- the debt backstop; right?

6 MR. ZUMBRO: Yes, sir. So the debt backstop is
7 similar (indiscernible) financing commitment, does provide for
8 the committed financing for the debt side in the capital
9 structure. There's a commitment there for 5 billion dollars to
10 PG&E Corporation and 5.825 billion dollars at the utility.
11 That is a significant modification (indiscernible) motion was
12 first filed back in October. (Indiscernible) requirements for
13 these type of emergent (indiscernible) material. Our prior
14 plan contemplated refinancing (indiscernible) with the prior
15 (indiscernible) settlement that was agreed to with the
16 noteholders. (Indiscernible) a lot of has been (indiscernible)
17 exchanged. There's no longer the need to raise that full
18 amount of debt.

19 So what used to be close to thirty-five billion
20 dollars as new-debt financing commitments that the bank would
21 agree to provide is now down to the approximately eleven
22 billion dollars that I described, between the holding
23 corporation and the utility.

24 That -- if you ever (indiscernible) what we refer
25 to -- and this is one thing that's a little complicated. But

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1 we refer to customary utilities (indiscernible) six billion
2 dollars of compensated debt is meant to be short-term and long-
3 term, a bridge for a securitization transaction post-emergence.
4 That is not part of the debt commitments that we're getting
5 today. The debtor didn't believe that'd be (indiscernible)
6 committed (indiscernible) commitments that are the cornerstone
7 of the financing (indiscernible) the proceeds, to make sure the
8 debtor (indiscernible) finance approved. So that's the twelve
9 billion dollars in equity, and the eleven billion dollars
10 (indiscernible) debt commitment.

11 THE COURT: So if I've got it correctly --

12 MR. ZUMBRO: And --

13 THE COURT: -- in round numbers, the company, under
14 this proposal, will bring in twelve billion in new equity,
15 it'll bring in ten -- eleven billion in new debt. And then
16 there's a refinance of a substantial amount of the existing
17 debt? So -- right? So --

18 MR. ZUMBRO: That's correct.

19 THE COURT: And what --

20 MR. ZUMBRO: That's correct. The debt (indiscernible)
21 exchanged, and so there's going to be a (indiscernible) of a
22 significant amount of the utility debt, and/or an exchange of
23 (indiscernible) mechanics (indiscernible) Your Honor
24 (indiscernible). And I'm not sure (indiscernible).

25 THE COURT: Right. And one more thing. Last week, I

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1 believe -- I don't know you were here, but Mr. Karotkin or
2 someone was indicating that the time was running till next week
3 for the OII determinations to be final. Is that still at that
4 stage? In other words, the portion that is in the capital
5 structure that the Commission has to approve, is that -- that's
6 still in flux, or is that going to be resolved in that amount?
7 Or am I confusing them?

8 MR. ZUMBRO: I believe that's correct. I don't know
9 the exact date for the CPUC's approval process. But that is
10 correct, that that is in -- that is in progress. And --

11 THE COURT: No, but what I --

12 MR. ZUMBRO: -- whether it's going to be --

13 THE COURT: -- what I'm asking --

14 MR. ZUMBRO: -- a commitment --

15 THE COURT: But if the company chooses to challenge or
16 appeal or however the next step is at the CPUC, does that
17 change any of the numbers that you've described here? And if
18 the answer's no, that's fine too. I just want to make sure I'm
19 clear as to how that works.

20 MR. ZUMBRO: It doesn't change the numbers directly.
21 They may need to be included (indiscernible), but consider
22 (indiscernible) have a look (indiscernible). There will need
23 to be some likely consent (indiscernible) to things
24 (indiscernible) accept the plan with the backstop parties -- I
25 mean -- or the consent parties, because the committee

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(indiscernible) a large amount of capital and consent rights under the plan. It used to be included, but they noted that the -- there will be consent (indiscernible) necessary to reflect the changes (indiscernible) the process (indiscernible). We believe consent will be forthcoming (indiscernible) we have (indiscernible) process and (indiscernible) --

THE COURT: Okay.

MR. ZUMBRO: -- (indiscernible).

THE COURT: Now, Mr. Ziman's most recent declaration was filed on March 3rd, and he -- again, I'm not going to try to restate it. He expressed his professional opinion as to a number of things about a good deal, a better offer, competitive, et cetera. Would Mr. Simon -- Ziman -- what would he say, given what the world has gone through in the last two weeks? Would he still be able to have these -- express these views on this being the right thing to do, the thing to facilitate the company's likely emergence by the June 30th deadline?

MR. ZUMBRO: Very much so, Your Honor. I've been in discussions with (indiscernible), and I think a lot of the market disruption that we've seen in the last couple weeks, I think, (indiscernible) underscore (indiscernible) how important it is to have committed financing. It is (indiscernible). I think it's even more important ever that today -- it's more

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1 important today than it's ever been. It's very important for
2 us to have (indiscernible) for the settlement, for the matter
3 (indiscernible). And I think it's critical (indiscernible).
4 But these commitment letters are even more important, given the
5 market volatility --

6 THE COURT: Okay.

7 MR. ZUMBRO: -- at issue.

8 THE COURT: Okay, here's what I propose.

9 MR. KAROTKIN: Your Honor?

10 THE COURT: Yes? Who --

11 MR. KAROTKIN: Your Honor?

12 THE COURT: Who's speaking?

13 MR. KAROTKIN: Sorry. It's Mr. Karotkin.

14 THE COURT: Yes, sir.

15 MR. KAROTKIN: I just wanted to interrupt, I think, to
16 clarify something Mr. Zumbro said. As I understand it, and I
17 could -- I could be wrong, I think the (indiscernible) equity
18 commitment is -- in the new capital -- proposed capital
19 structure is nine billion, not twelve billion.

20 THE COURT: Well, the papers said it was up to twelve,
21 I thought; right --

22 MR. KAROTKIN: I think the --

23 THE COURT: -- right, Mr. Zumbro?

24 MR. ZUMBRO: Yeah, it's up to twelve. And it is
25 contemplated (indiscernible) capital structure is nine billion

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1 dollars of equity (indiscernible). But it's up to twelve.

2 THE COURT: Okay. Here's what I propose for the
3 benefit of everyone on the call. And I have a list of who the
4 participants are, but I may be missing a couple of critical
5 players. But I see that Ms. Mitchell is on the call, and I'm
6 going to ask her to comment first about the governor's
7 position. And then I see Mr. Bray for the official unsecured
8 creditors' committee, who had filed a reservation of rights.
9 And then I do not see on my list counsel for the TCC, but I
10 presume there is a lawyer on the phone for TCC.

11 So I'm going to ask that counsel in that sequence --
12 Ms. Mitchell, Mr. Bray, and then whomever is on the call for
13 the TCC -- to raise anything you want to say, and then I'll
14 open it up to see if anyone else wants to be heard.

15 So, Ms. Mitchell, are you there, and can you help us?

16 MR. HINKER: Good morning, Your Honor. This is
17 Matthew Hinker from O'Melveny & Myers. I don't believe Ms.
18 Mitchell is on the phone today, but I am.

19 THE COURT: Okay.

20 MR. HINKER: So it's Matthew Hinker, again, from
21 O'Melveny & Myers, on behalf of Gov. Newsom.

22 THE COURT: Okay. Thank you. I --

23 MR. HINKER: First --

24 THE COURT: -- just had her name on the list.

25 MR. HINKER: -- I'd just like to --

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1 THE COURT: Go ahead. Please.

2 MR. HINKER: I just want to make sure you could hear,
3 Your Honor.

4 THE COURT: I can. Yes, I can.

5 MR. HINKER: Okay. First, I'd just like to add to Mr.
6 Zumbro's opening comments and thank you for allowing us to
7 (indiscernible) telephonically.

8 Well, we --

9 THE COURT: I didn't have a choice.

10 MR. HINKER: -- do have a number of -- yeah.

11 THE COURT: I tried very much to figure out a way to
12 do a video, and it just was not doable. So we're all in it
13 together. So, go ahead. Thanks for the -- thank you for the
14 thanks, but I thank all of you for being cooperative also.

15 MR. HINKER: Just to follow up on Mr. Zumbro's opening
16 comments; (indiscernible) contingency -- engage in productive
17 discussions (indiscernible). And we don't have an overall deal
18 yet. Given where the market (indiscernible), we are prepared
19 to let the debtors move forward today without our objections;
20 withdraw our objection.

21 THE COURT: Okay, thank you very much.

22 Mr. Bray? Are you there?

23 MR. BRAY: I'm here, Your Honor. Gregory Bray,
24 Milbank LLP, counsel for the committee.

25 We filed a very short pleading on this.

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1 Essentially -- actually, I think the last comment we just
2 heard, which was you're focused on some of the issues
3 (indiscernible). And Mr. Zumbro pointed out there is some
4 conditionality with respect to the OII consents. We're -- I
5 guess we're heartened by the discussions and the progress with
6 the governor. That was our one concern.

7 On balance, given the current situation, financial
8 market, the committee's of the view that -- it has no objection
9 to allow it to move forward with the financing. And I think
10 the one comment you heard from Mr. Zumbro was, similar to what
11 the committee's (indiscernible) after our last call, which was,
12 given the more negative nature, if that's proper grammar, of
13 the markets lately, probably (indiscernible) imperative it was
14 to get these commitments right now.

15 THE COURT: Okay. Well, that's good to hear.

16 All right, who is on the call for the TCC?

17 Anyone?

18 Mr. Julian, are you here?

19 Ms. Dumas? Any of my friends?

20 Well --

21 UNIDENTIFIED SPEAKER: Your Honor --

22 MR. RICHARDSON: Your Honor, can you hear me?

23 THE COURT: Yes, sir.

24 MR. RICHARDSON: Your Honor, David Richardson for the
25 official committee of tort claimants.

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1 THE COURT: Okay. Mr. Richardson. Thank you.

2 MR. RICHARDSON: I apologize for that. I thought the
3 mute had been turned off.

4 THE COURT: That's all right. Do you have anything to
5 add?

6 MR. RICHARDSON: In light of what we've heard from the
7 governor's office, Your Honor, the TCC has nothing further to
8 add to this matter.

9 THE COURT: Okay. Again, let's -- I will ask you all
10 on the phone to be polite and not talk over anyone else. But I
11 don't have any other papers that suggest that anyone has asked
12 to be heard, but I will ask for anyone who wants to be heard.
13 So you know the drill: state your name. And if two people
14 talk, I'll try to pick out one and call on you and then get to
15 the other person. Anyone?

16 Okay, I will take that silence as that. I will make a
17 brief statement. The complexity of the transaction is beyond
18 my understanding, and therefore I have to -- and I understand
19 that from a 35,000-foot point of view. But I couldn't possibly
20 know what Mr. Ziman and the professional advisors -- who have
21 assisted not only the company but the lenders and the
22 Commission and the governor and all the other players, who have
23 put their heads together in one of the most complicated things
24 that, I guess, has ever occurred in U.S. refinancing, and
25 probably more complicated by the world situation.

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1 So if I had plenty of time to make a detailed
2 explanation or a statement of findings and conclusions, I would
3 do so. But under the circumstances, that doesn't make any
4 sense. I have studied and do understand Mr. Ziman's opinion
5 and the details as set forth in the debtors' second amended
6 motion, which is document number 6013, for the record, because
7 the motion has gone through various iterations.

8 I am satisfied that the debtors, as the moving party
9 and proponents here, have made a prima facie case for the
10 exercise of their business judgment but, more importantly, to
11 make another major step towards what has been a complex process
12 with the various RSAs, the various rulings and the decisions,
13 and the negotiated results, and including more recently the
14 progress with the disclosure statement. And therefore, I'm
15 prepared to reach the legal conclusion that the motion for
16 approval of the second amended motion should be granted. And
17 as I say, exigencies of the circumstances today do not lend
18 themselves to try to be more detailed. The record states (sic)
19 for itself.

20 And therefore, I'm going to compliment the moving
21 parties and also the governor's office and his advisors, for
22 working with the debtor to come to the point we are, to the
23 extent that there are numerous things that have to continue to
24 get resolved. But this is, again, one of the many milestones
25 that I think is important. And so I look forward to getting an

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1 order from counsel for the debtor and signing it.

2 I will tell you all on the call that, if you haven't
3 looked at the docket in the last hour, no surprise; everything
4 for next week is going to be telephonically. Our court, like
5 other courts, are (sic) taking these steps, these world events,
6 little by little. But for the next several weeks, we're going
7 to have to continue to perform telephonically, the way I'm
8 doing.

9 I did try to see if there was a way to facilitate some
10 sort of videoconferencing, but the federal courts, particularly
11 with the top -- from the top down to the bankruptcy court, they
12 haven't gotten into the twenty-first century for live
13 interactive videoconferencing in a court setting. So we are
14 limited to this.

15 I look forward to this crisis going away and seeing
16 all of you back in San Francisco courtroom in the future. But
17 for now, I'll look forward to hearing you on the phone. With
18 that, unless anyone wants to be heard, I'll conclude the
19 hearing.

20 Mr. Karotkin, anything else we need to talk about?

21 MR. ZUMBRO: Your Honor, could I make (indiscernible)
22 record (indiscernible) and I thought I'd mention them. So
23 those are two separate orders (indiscernible) separate order
24 for the backstop equity and the equity finance (indiscernible).
25 We will submit (indiscernible) and upload it to Your Honor.

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1 THE COURT: Okay. Best wishes to all of --

2 MR. BOTTER: Just --

3 THE COURT: Yes?

4 MR. BOTTER: I apologize. Your Honor, my apologies.

5 David Botter of Akin Gump, on behalf of the ad hoc committee.

6 Have there been changes to the two orders that have
7 been submitted (indiscernible)?

8 MR. ZUMBRO: No, there's no changes.

9 MR. BOTTER: Okay. Thank you, Your Honor.

10 THE COURT: Okay.

11 MR. BOTTER: I'm sorry to --

12 THE COURT: You got that, Mr. Botter? Okay.

13 Well, let me wish all of you on the call, your
14 families, your law firms, your -- everyone involved, best
15 wishes. Stay healthy. Wash your hands. Follow the
16 instructions from our leaders. And let's all stay well for the
17 future of this case and the proper exit from the bankruptcy.
18 Thank you, all.

19 MR. KAROTKIN: You too, Judge.

20 UNIDENTIFIED SPEAKER: Thank you.

21 UNIDENTIFIED SPEAKER: Thank you.

22 (Whereupon these proceedings were concluded at 10:39 AM)

23

24

25

I N D E X

RULINGS:

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Debtors' motion for approval of the second
amended motion is granted.

17 15

C E R T I F I C A T I O N

I, Clara Rubin, certify that the foregoing transcript is a true and accurate record of the proceedings.



/s/ CLARA RUBIN

eScribers

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Phoenix, AZ 85020

Date: March 17, 2020

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